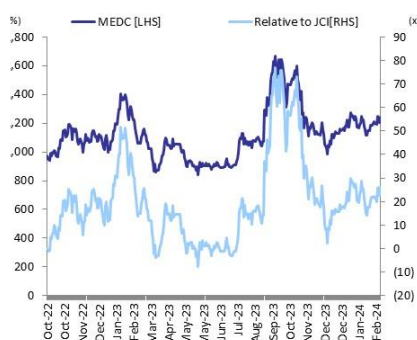


# Buy

(Maintained)

Last Price (Rp)	1,240
Target Price (Rp)	1,950
Previous Target Price (Rp)	1,900
Upside/Downside	+57.3%
No. of Shares (mn)	25,136
Mkt Cap (Rpbn/US\$mn)	31,169/1,993
Avg, Daily T/O (Rpbn/US\$mn)	164.5/10.5
Free Float (%)	22.8
Major Shareholder (%)	
Medco Daya Abadi Lestari	51.5
Diamond Bridge Pte Ltd	21.4
EPS Consensus (US\$cents)	
	2023F 2024F 2025F
BRIDS	1.2 1.4 1.4
Consensus	1.2 1.4 1.4
BRIDS/Cons (%)	(1.7) 1.7 (0.6)

## MEDC relative to JCI Index



Source: Bloomberg

# Medco Energi International (MEDC IJ)

## FY24-25F f'cast upgrade from Oman block; positive impact from Corridor reversion to cost recovery

- We believe the newly acquired Block in western Oman will begin to contribute to MEDC's financials at the beginning of FY24.
- MEDC has obtained Ministerial approval for the amendment of the new Corridor Block which will revert the PSC back to Cost Recovery.
- Maintain Buy rating with a higher TP of Rp1,950, reflecting our FY24-25F earnings estimates upgrade from higher production estimates.

### Higher FY24-25F production est. as Oman start contributing at early FY24F

We believe the newly acquired Block in western Oman will begin to contribute to MEDC's financials at the beginning of FY24 as the acquisition was completed in Dec23. The Oman block production rate is 13 mbopd with 2P reserves of 56mmboe (MEDC's net ownership). With the additional production from Oman, we expect MEDC's total production in FY24-25F to be 166mbopd and 169mbopd respectively (8.5% and 8.3% higher vs. our prev. forecast). We also see potential for the block to have low operating costs given its onshore location and thus expect its lifting costs to be around USD10/boe. Assuming a net split of 60% for MEDC from this block, we now project FY24F-25F net profit of US\$358mn and US\$350mn respectively (up 18.5% and 20.5% from our prev. forecast).

### The government approves amendments to the Corridor block PSC

MEDC has obtained Ministerial approval for an amendment to the new Corridor Block PSC. The PSC will revert to 'cost recovery' scheme (from 'gross split' scheme in Jan24) with improved terms to ensure the economic viability of several new developments and to sustain further exploration of the block. As a result, we maintain our current production volume forecasts for the Corridor block in FY24-25F as there will be no changes to its production split with its PSC contract using the cost recovery scheme.

### Expect oil price to remain >US\$70/bbl amid lingering geopolitical tension

We continue to see risks of higher disruptions to global logistics activities amid the escalating tensions in the Red Sea. Shipping lines have diverted vessels around the Cape of Good Hope, impacting global trade and inflation dynamics. Although Red Sea oil transport (c. 5-8 mn bpd) is significantly lower compared to the Hormuz Strait (18 mn bpd), we nonetheless see the disruption in the Red Sea to be potentially enough to keep oil prices above US\$70/bbl in FY24F (our estimate: US\$78/bbl).

### Maintain Buy with a higher SOTP-based TP of Rp1,950

We maintain our Buy rating on MEDC with a slightly higher SOTP-based TP of Rp1,950, reflecting our higher production volume assumptions from the newly acquired block in Oman. Key risks to our call include lower oil prices, asset impairment and AMMN's financial performance.

### Key Financials

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (US\$mn)	1,252	2,312	1,988	2,134	2,139
EBITDA (US\$mn)	698	1,593	1,303	1,367	1,350
Net Profit (US\$mn)	47	531	297	358	350
EPS Growth (%)	(124.3)	1,034.9	(44.1)	20.7	(2.3)
PER (x)	42.6	3.8	6.7	5.6	5.7
PBV (x)	1.9	1.3	1.2	1.0	0.9
EV/EBITDA	3.1	1.5	3.4	2.9	2.6

Source: MEDC, BRIDS Estimates

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**Exhibit 1. Forecasts changes**

	2024F		2025F		Changes	
	Old	New	Old	New	Old	New
Revenue	1,873	2,134	1,879	2,139	13.9%	13.9%
Gross Profit	849	987	824	962	16.3%	16.7%
EBITDA	1,217	1,371	1,201	1,354	12.6%	12.8%
Net Profit	302	358	291	350	18.5%	20.5%
Gross margin	45.3%	46.3%	43.8%	45.0%		
EBITDA margin	65.0%	64.3%	63.9%	63.3%		
Net margin	16.1%	17.0%	15.5%	16.5%		

Source: Company, BRIDS Estimates

**Exhibit 2. SOTP Valuation**

SOTP valuation	Method	Method	Equity value
Oil and gas	DCF	DCF	1,396
AMMN	P/E	Target P/E 2024F 10.9x	1,921
Total equity value (USDmn)			3,318
USD/IDR			14,800
Total equity value (IDRbn)			49,103
Outstanding shares (bn)			25.14
Target price (IDR/sh)			1,953
Rounding target price (IDR/sh)			1,950

Source: Company, BRIDS Estimates

**Exhibit 3. Sensitivity 2024F earnings to oil price and lifting costs**

		Brent Price US\$/bbl (Base at US\$78/bbl)								
		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
Lifting Cost USD/boe (Base at US\$8.3/bo e)	20%	345	345	346	346	347	347	348	348	349
	15%	348	348	349	349	350	350	351	351	351
	10%	350	351	351	352	352	353	353	354	354
	5%	353	354	354	355	355	356	356	357	357
	0%	356	357	357	358	358	358	359	359	360
	-5%	359	359	360	360	361	361	362	362	363
	-10%	362	362	363	363	364	364	365	365	366
	-15%	365	365	365	366	366	367	367	368	368
	-20%	367	368	368	369	369	370	370	371	371

Source: Company, BRIDS Estimates

**Exhibit 4. Income Statement**

Year to 31 Dec (US\$mn)	2021A	2022A	2023F	2024F	2025F
<b>Revenue</b>	<b>1,252</b>	<b>2,312</b>	<b>1,988</b>	<b>2,134</b>	<b>2,139</b>
COGS	(701)	(1,066)	(1,099)	(1,151)	(1,182)
<b>Gross profit</b>	<b>551</b>	<b>1,246</b>	<b>889</b>	<b>983</b>	<b>958</b>
<b>EBITDA</b>	<b>698</b>	<b>1,593</b>	<b>1,303</b>	<b>1,367</b>	<b>1,350</b>
<b>Oper. profit</b>	<b>388</b>	<b>1,026</b>	<b>699</b>	<b>768</b>	<b>738</b>
Interest income	9	40	21	23	32
Interest expense	(222)	(259)	(237)	(222)	(207)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	62	233	67	176	161
Other Income (Expenses)	32	8	101	0	0
<b>Pre-tax profit</b>	<b>269</b>	<b>1,046</b>	<b>651</b>	<b>744</b>	<b>724</b>
Income tax	(207)	(494)	(333)	(364)	(353)
Minority interest	(15)	(22)	(22)	(22)	(22)
<b>Net profit</b>	<b>47</b>	<b>531</b>	<b>297</b>	<b>358</b>	<b>350</b>
<b>Core Net Profit</b>	<b>47</b>	<b>531</b>	<b>297</b>	<b>358</b>	<b>350</b>

**Exhibit 5. Balance Sheet**

Year to 31 Dec (US\$mn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	481	600	658	920	1,209
Receivables	479	616	731	691	701
Inventory	101	106	135	146	152
Other Curr. Asset	158	281	281	281	281
Fixed assets - Net	50	62	61	60	59
Other non-curr.asset	3,932	5,119	5,020	4,884	4,722
<b>Total asset</b>	<b>5,684</b>	<b>6,932</b>	<b>7,035</b>	<b>7,129</b>	<b>7,271</b>
ST Debt	411	503	472	442	411
Payables	250	286	396	376	399
Other Curr. Liabilities	345	591	591	591	591
Long Term Debt	231	562	2,630	2,461	2,291
Other LT. Liabilities	3,217	3,243	1,005	1,005	1,005
<b>Total Liabilities</b>	<b>4,455</b>	<b>5,184</b>	<b>5,095</b>	<b>4,875</b>	<b>4,697</b>
Shareholder's Funds	1,073	1,557	1,728	2,020	2,318
Minority interests	157	190	212	234	256
<b>Total Equity &amp; Liabilities</b>	<b>5,684</b>	<b>6,932</b>	<b>7,035</b>	<b>7,129</b>	<b>7,271</b>

**Exhibit 6. Cash Flow**

Year to 31 Dec (US\$mn)	2021A	2022A	2023F	2024F	2025F
Net income	47	531	297	358	350
Depreciation and Amort.	310	567	604	600	611
Change in Working Capital	(47)	(103)	(34)	10	6
Other Oper. Cash Flow	153	220	(63)	(172)	(157)
<b>Operating Cash Flow</b>	<b>463</b>	<b>1,215</b>	<b>803</b>	<b>796</b>	<b>809</b>
Capex	(340)	(1,620)	(457)	(287)	(287)
Others Inv. Cash Flow	423	398	0	0	0
<b>Investing Cash Flow</b>	<b>83</b>	<b>(1,223)</b>	<b>(457)</b>	<b>(287)</b>	<b>(287)</b>
Net change in debt	207	91	(200)	(200)	(200)
New Capital	0	3	0	0	0
Dividend payment	0	(60)	(89)	(70)	(56)
Other Fin. Cash Flow	(222)	(259)	(237)	(222)	(207)
<b>Financing Cash Flow</b>	<b>(16)</b>	<b>(226)</b>	<b>(526)</b>	<b>(492)</b>	<b>(463)</b>
<b>Net Change in Cash</b>	<b>530</b>	<b>(233)</b>	<b>(180)</b>	<b>17</b>	<b>59</b>
Cash - begin of the year	297	481	600	658	920
Cash - end of the year	481	600	658	920	1,209

**Exhibit 7. Key Ratios**

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
<b>Growth (%)</b>					
Sales	13.8	84.7	(14.0)	7.3	0.3
EBITDA	42.3	128.1	(18.2)	5.0	(1.3)
Operating profit	146.3	164.1	(31.9)	9.8	(3.8)
Net profit	(124.3)	1,034.9	(44.1)	20.7	(2.3)
<b>Profitability (%)</b>					
Gross margin	44.0	53.9	44.7	46.1	44.8
EBITDA margin	55.8	68.9	65.5	64.1	63.1
Operating margin	31.0	44.4	35.2	36.0	34.5
Net margin	3.7	23.0	14.9	16.8	16.3
ROAA	0.8	8.4	4.2	5.1	4.9
ROAE	4.5	40.4	18.1	19.1	16.1
<b>Leverage</b>					
Net Gearing (x)	0.1	0.3	1.3	0.9	0.6
Interest Coverage (x)	1.7	4.0	2.9	3.5	3.6

Source : MEDC, BRIDS Estimates

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<b>BUY</b>	Expected total return of 10% or more within a 12-month period
<b>HOLD</b>	Expected total return between -10% and 10% within a 12-month period
<b>SELL</b>	Expected total return of -10% or worse within a 12-month period

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